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Global Agricultural Information Network

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POLICY

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Report Highlights:

Welcome to Hot Bites from India, a weekly food and agricultural news summary. This report includes information gathered by local agricultural analysts and/or reported in the local media.

DISCLAIMER: The information contained in this report is not a statement of U.S. Government policy. The views and opinions reported by different news organizations do not reflect the policies of the U.S. Department of Agriculture or the U.S. Embassy in New Delhi.

General Information:

POLICY

2011 COULD BE WORSE FOR INDIA AS US RECESSION LOOMS LARGE

India weathered the 2008 crisis well, but there are fears that this time the country is not ready for a crisis as weak finances, persistently high inflation and policy inertia have considerably weakened the government's position. ([Source: Economic Times 8/8/2011](#))

INDIA INC. DEMANDS FRESH STIMULUS FROM CENTRAL GOVERNMENT

Worried over the fallout of the US debt, Indian industry is demanding another stimulus package to boost domestic demand and investments amidst signs of slowdown in industrial growth. (Source: Asian Age 8/9/11)

FOOD INFLATION SURGES TO 9.90 PERCENT

Food inflation surged to a high of 9.90 percent for the week ended July 30th, up from 8.04 per cent in the previous week. Inflation is driven mainly by higher prices of onions, fruits and protein-based items. (Source: [The Hindu](#), 08/12/2011); Also see: **FOOD INFLATION SOARS TO 9.90 PERCENT** (Source: [The Tribune](#), 08/12/2011)

GRAIN AND FEED

TRADERS FACE WHEAT GLUT AS INT'L PRICES MAKE EXPORTS UNVIABLE

The GOI agriculture ministry is keen to get wheat shipped out, but at current prices exports are unfeasible. The finance ministry is not ready to subsidize wheat exports because of fiscal constraints. (Source: Economic Time 8/5/2011)

DELHI HIGH COURT EXTENDS STAY ON NON-BASMATI RICE EXPORT

On Wednesday, the Delhi High Court on Wednesday extended the stay on export of non-basmati rice after several firms appealed to challenge the licensing procedure, alleging a lack of transparency in the quota allocation process. (Source: [Financial Express](#), 08/11/2011)

HOUSE PANEL CALLS FOR LIFTING BAN ON WHEAT AND PREMIUM NON-BASMATI EXPORTS

A House panel has called for lifting the ban on wheat and premium non-basmati rice exports at the earliest. This, the Parliamentary Standing Committee on Commerce said, is an immediate solution to the food grain glut in the country. (Source: [Business Line](#), 8/12/11)

AGRICULTURAL SITUATION

GOVT STUDIES FORECAST LESS WATER AND LOWER YIELDS

A new set of government-sponsored studies have predicted lower availability of water and a decline in agricultural production due to climate change. ([Source: Hindustan Times 8/7/2011](#))

CROP OUTLOOK IMPROVES AS MONSOON REVIVES

India's monsoon rains were 14% above normal in the week ending Aug 11th, improving sharply from 22% below average the week before. (Source: [Financial Express](#), 08/12/2011)

RETAIL

COMMITTEE OF SECRETARIES BACK POLICY TO WELCOME FDI IN MULTI-BRAND RETAIL

The government announced that a committee of secretaries comprising of senior bureaucrats has backed the government proposal to open India's retail sector fully to foreign investors. The fact that the country's bureaucracy has put its imprimatur on this long-delayed reform measure has boosted hopes that the pendulum has now swung in favor of opening the sector. ([Source: Economic Times 8/9/11](#))

NEWS IN DETAIL:

2011 COULD BE WORSE FOR INDIA AS US RECESSION LOOMS LARGE

ET Bureau Aug 8, 2011, 08.29 am IST

NEW DELHI: India weathered the 2008 crisis well, but there are fears that this time round the country is not even ready for a crisis of much lesser magnitude, let alone a full-blown debt default in Europe or a possible US recession.

Weak finances, persistently high inflation and policy inertia have considerably weakened the government's position today.

"This time our basics are weak. A domestic meltdown is expected and our resilience won't be as much as last time," said Nisha Taneja, professor of economics at ICRIER. Growth estimates are down to 7.2% in the current year, not far from 6.8% the country managed in crisis-ridden 2008-09, and every other indicator is pointing downwards.

Contrast that with 9.3% growth on the eve of the crisis when India could do no wrong. "This time we may be on weaker foundations," chief economic advisor Kaushik Basu told Washington Post last week. Just before the crisis in 2008, the repo rate, the key rate in the economy, was 9%, which was cut quickly to stimulate demand and investments. This time round the best the Reserve Bank can do is to halt the rate increases because despite high borrowing costs consumption demand remains strong and any policy reversal risks inflation going out of hand.

INDIA INC DEMANDS FRESH STIMULAS FROM CENTRE

India Inc demands fresh stimulus from Centre

New Delhi, Aug. 8: Worried over the fallout of the US debt problems on the Indian economy, industry on Monday demanded another stimulus package to boost domestic demand and investments amidst signs of slowdown in industrial growth.

While Assocham called for another stimulus package, Ficci said there is a need for better fiscal management and accelerating structural reforms.

"A slow pace of recovery in the US could also prompt hard-hit sectors in India to call for another stimulus package by the government to boost investments and demand," the Assocham secretary-general, Mr D.S. Rawat, said.

In sync with the global stimulus, the Indian government too had provided tax

sops of ₹1.86 lakh crore following 2008-09 crisis.

"There was a need for better fiscal management and accelerating structural reforms," Ficci said.

Before making the demand for the stimulus, the industry read a cue in the finance minister, Mr Pranab Mukherjee's statement.

"We would focus on encouraging greater domestic consumption and give an impetus to the drivers of domestic growth," the finance minister said earlier in the day.

There was also a demand for a pause in the interest rate hikes, being effected by the Reserve Bank since March 2010.

The country's largest real estate consultant Jones Lang LaSalle said, however, commodity prices may

come down and this will help curb inflation.

"Under the circumstances, the Indian business lobby may now be able to make a stronger and potentially successful case against further interest rate hikes with the RBI," Jones Lang LaSalle India chairman and country head, Mr Anuj Puri, said.

Mr Rawat said the downgrade of the US sovereign credit could also affect the country's exports to the world's largest market.

Echoing Assocham, Ficci said an uncertain global environment could depress India's exports of goods and services to the American market.

India's merchandise exports to the US in 2010-11 made up for 13 per cent of its merchandise exports of \$246 billion. —PTI

FOOD INFLATION SURGES TO 9.90 PERCENT

Much to the concern and dismay of the government and the Reserve Bank of India (RBI), food inflation surged yet again to a high of 9.90 per cent for the week ended July 30 from 8.04 per cent in the previous week, driven mainly by higher prices of onions, fruits and protein-based items.

The fresh bout of inflationary pressure is not unexpected as both the RBI and the Prime Minister's Economic Advisory Council (PMEAC) have projected the wholesale price index (WPI) headline inflation to hover at a high of about 9 per cent for a major part of the fiscal year till December before tapering down to about 6.5-7 per cent by March 2012. What, however, is unexpected is that the food segment is again turning out to be a major contributor to the overall high inflation, possibly owing to official apprehensions of an irregular monsoon apart from the problems of demand-supply mismatches. The added fear is that food prices are expected to remain volatile following the U.S. rating downgrade which has destabilised the global financial and commodity markets.

Incidentally, food inflation at 9.90 per cent is at its highest since the week ended March 12 when it was higher at 10.05 per cent before sliding to a 20-month low at 7.33 per cent in mid-July.

In June, headline inflation stood pegged at 9.44 per cent.

The latest data shows that primary articles recorded inflation of 12.22 per cent for the week ended July 30, up from 10.99 per cent a week ago.

TRADERS FACE WHEAT GLUT AS INT'L PRICES MAKE EXPORTS UNVIABLE

Traders Face Wheat Glut as Int'l Prices Make Export Unviable

Finance ministry not willing to subsidise wheat exports

AMITISEN
NEW DELHI

The decision to allow wheat exports may come to nothing, having got caught up in inter-ministerial wrangling.

The agriculture ministry is keen to get wheat shipped out, but at current international prices exports are not viable. "Export of wheat is commercially possible only if the government gives subsidy to traders as domestic prices at the moment are much higher than international prices," an agriculture ministry official told ET.

The finance ministry is not ready to subsidise wheat exports because of fiscal constraints, a decision commerce department backs. "We do not want to give subsidies," a commerce department official told ET.

Worried over a possible spike in prices, the inflation-scarred government had been delaying a decision on export of wheat despite bumper harvest and more-than-comfortable stocks. However, the empowered group of ministers on July 11 decided that the country could risk lifting the four-year-old export ban to make place for more stocks when fresh procurement begins in September. But the international prices have dropped since then, making exports unviable at current prices.

"If we had exported some wheat in the first quarter last year, we would have made considerable profits. But at the current domestic and international prices, our wheat will not find any buyers overseas," the official said.

Russia reportedly sold 1,80,000 tonne of wheat to Egypt recently at \$243.50-\$244.50 a tonne while the EU and the US had offered at around \$285 a tonne. In contrast, India's wheat is being sold domestically at about \$350 a tonne.

"Although finance minister Pranab Mukherjee has assured traders that a decision on wheat exports will be taken soon, it is unlikely that it would be favourable," the official said.

Overflowing Wheat Bowl

86 mt
Wheat output
in 2010-11

37.8 mt
Total wheat
stocks

70 mt
Annual wheat
consumption

\$360/t
Domestic
prices of wheat

\$250/t
International
price of wheat



The stand taken by the ministry of food, consumer affairs and public distribution against allowing wheat exports is also not going to help the exporters' cause. Minister of State for Agriculture, Consumer Affairs, Food & Public Distribution KV Thomas said that his ministry wanted that the excess food-grain should be distributed in the country first.

One good option is to channelise stocks to African countries on compassionate grounds

The poorest districts from the stocks," Thomas said recently.

What cannot be, however, ignored, is the fact that the FCI's coffers are overflowing and a lot of stock is lying in sheds in the open. Things are going to get worse when the kharif harvest starts arriving later this year.

One good option is to channelise stocks to African countries on compassionate grounds, said Sachin Chaturvedi, fellow, RIS. "African countries including Mali and Somalia have requested us for wheat. In fact, the FAO had suggested in April this year that some of our wheat should be diverted to Africa to help us manage our stock better," he said.

Since Prime Minister Manmohan Singh, during his recent Africa visit, had promised to support food initiative in African countries, this could be India's opportunity to do so. It would, at least, be better than to allow it to rot, Chaturvedi said.

DELHI HC EXTENDS STAY ON NON-BASMATI RICE EXPORT

Press Trust of India;

Posted: Thursday, Aug 11, 2011 at 0215 hrs IST

New Delhi: The Delhi High Court on Wednesday extended the stay on export of non-basmati rice after several firms appealed in the court to be made party to the suit, challenging the licences to 82 exporters by the government, alleging lack of transparency in quota allocation process.

A Bench of Justice S K Kaul and Justice Rajiv Shakdhar while extending the stay on the export today, allowed the plea of other rice firms, including All India Grain Exporters Association, to raise their objections by making them party to the Kannu Aditya Ltd suit and listed the matter for further hearing on September 7.

The Bench also directed the Director General of Foreign Trade to scrutinise the applications of exporters to whom the Centre has allocated the quota for export of non-basmati rice.

On July 19, the ministry had notified the decision to allow non-basmati rice exports, lifting a ban imposed in April 2008 to control high food prices. The ministry allocated the quota on first-come-first serve basis and the letter of intent was invited through e-mail. However, only two days (July 21-22) were given to make applications for exports.

Following this, Kannu Aditya Ltd, a rice exporting firm, moved the court, alleging that there was no transparency in the process adopted by the government in granting the export licences. Hearing the petition, the high court on July 26 directed the ministry of commerce not to proceed with its plan to grant licences for export of non-basmati rice.

However, a day after the High Court order, the ministry allocated export of 1 million tonnes of non-basmati rice to 82 exporters.

After Kannu Aditya Ltd alleged in high court that the July 26 order to stop allocation of export quota was not followed by the government, the Centre assured the court that its order would be strictly complied with.

LIFT BAN ON WHEAT, PREMIUM NON-BASMATI EXPORTS, SAYS HOUSE PANEL

New Delhi, Aug. 11: A House panel has called for lifting the ban on wheat and premium non-basmati rice exports at the earliest. This, the Parliamentary Standing Committee on Commerce said, is an immediate solution to the food grain glut in the country.

However, while lifting the ban, the Government should also keep in view the domestic requirement, it said.

Meanwhile, the Commerce Secretary, Mr Rahul Khullar, said on Thursday that the Government may allow exports of additional quantity of non-basmati rice.

The Commerce Ministry is understood to have proposed export of an additional two million tonnes of non-basmati rice at a minimum export price of \$500 a tonne.

An Empowered Group of Ministers is expected to consider this proposal on Friday.

Last month, the Centre had lifted an over three-year old ban on non-basmati rice exports and had permitted shipments of one million tonne of the item at a minimum export price of \$400 a tonne.

On Wednesday, the Delhi High Court had extended the stay till September 7 on export of non-basmati rice on allegations of lack of transparency in the quota allocation process.

In a bid to augment domestic supplies, the Government had in 2007 banned private companies from exporting wheat and non-basmati rice in 2008.

The House panel, in its report, expressed displeasure over the Government's policy to accumulate food grains over and above the buffer norms.

It recommended that the Government should take immediate action to export surplus food grains so that the same is not wasted due to poor storage capacity.

The Government must also fix responsibility on those entrusted with storage of food grain and ensure that the cost of wasted grain is recovered from those responsible for the loss, it said.

It recommended that the Government should evolve a policy that facilitates India's exporters in getting a fair share of the world market.

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GOVT STUDIES FORECAST LESS WATER, LESSER YIELD

[Chetan Chauhan](#), Hindustan Times

Email Author

New Delhi, August 07, 2011

With India expected to be warmer than estimated earlier, a new set of government-sponsored studies have predicted lesser availability of water and decline in agriculture production on account of climate change.

The studies were done under the aegis of the Indian Network for Climate Change Assessment (INCCA) to provide a holistic picture with an aim to push the government to form mitigation and adaptation policies.

Climate change impact on agriculture is the highlight of the studies to be published in Current Science on Monday with recorded fall in per acre production of wheat and rice.

It comes at a time when India is debating the proposed National Food Security law to ensure monthly food entitlement to 75% of population in the rural India and 50% in the urban India.

A study by PK Aggarwal of the Indian Agriculture Research Institute (IRAI) shows wheat production in 2004 fell by 4 million tonnes on account of an increase in temperature of one degree, resulting in faster

maturing of the crop. A fall in production of mustard, peas, tomatoes, onion and garlic has also been reported on the basis of 22 years' record of yield.

The future, with temperature expected to rise by another four degrees Celsius by the end of 21st century, would be bleak.

The Indo-Gangetic plains, the food bowl of India, will have the maximum impact with a decline in water sources. Western Ghats and the coastal belt are highly vulnerable areas, with estimates of a huge fall in production by 2030, the study says.

In another study, analysing monsoon data from 1901 to 2007, Krishna Kumar of Pune-based Indian Institute for Tropical Meteorology says the number of rainy days have reduced with increase in frequency and intensity of heavy rains.

The IITM study predicts that there would be 15% increase in summer monsoon precipitation by 2080, meaning lesser sunny days for crops to mature.

The study predicts increase in intensity of transmission of malaria from seven to nine months to 10-12 months in north-east and some regions of the Himalayan belt.

Every year 2.3 million people are affected by malaria and about a million from dengue.

Global warming has caused faster melting of glaciers as predicted by the Indian Space Research Organisation. AK Gosain of IIT-Delhi says because of this most of the rivers in India will see an increase in precipitation at the basin level till 2050, except Brahmaputra, Cauvery and Pennar.

The positive, however, is that India's rate of global warming was just 3.3% between 1994 and 2007, even though the economy had grown at an average of 6% during this period. "It is because most of the technologies adopted by us are less emission intense," a senior environment ministry official said.

CROP OUTLOOK IMPROVES AS MONSOON REVIVES

Reuters; Posted: Friday, Aug 12, 2011 at 0306 hrs IST

New Delhi: India's monsoon rains were 14% above normal in the week to Aug 11, improving sharply from 22% below average the week before, the weather office said on Thursday, boosting the outlook for summer crops such as cane, cotton and rice.

Rains were well distributed over the oilseed, soybean and rice growing areas of northwest and central India, the sources said, though they were below normal in the cane growing areas of west and north. But slower rains at this stage are not necessarily bad for the sturdier cane crop which, sources said, was doing fine now. Rains have also been good over the lentil and cereal growing areas of the western Rajasthan state.

"The monsoon is now in an active phase and likely to remain so until early next week," said one source at the weather office. The rains have been 4% below normal in the period June 1-Aug 10, weather office data showed. June to September monsoon rains are crucial to crop output in 60% of the country.

COMMITTEE OF SECRETARIES NODS, PREPARATION GETS UNDERWAY FOR

WELCOMING FDI IN MULTI-BRAND RETAIL

Ravi Teja Sharma & Sagar Malviya, ET Bureau Aug 9, 2011, 06.12am IST

NEW DELHI/MUMBAI: Uday Palsule is preparing to place an order for 200 custom-built, climate controlled trucks from Thailand. Based in Pune, the 55-year-old director of Spear Logistics hopes to import at least 30 of these vehicles, each costing Rs 33 lakh, this year itself, a bold decision for someone whose main business is providing warehousing services to firms such as Siemens, Cummins and Shell.

For Sanjay Dutt, chief executive office (business) at real estate consultant Jones Lang LaSalle in Mumbai, the volume of phone enquiries of a certain kind has shot up in the last two weeks. In the stock markets, where sentiment these days is mostly downbeat thanks to a deadly triple cocktail of rising rates, a slowing economy and global uncertainty, stocks in one sector have been defying the bearish trend and have investors all excited.

Palsule, Dutt and these investors may be separated by geography and vocations, but find themselves united in how they view the future and are preparing for it by a recent landmark announcement. The announcement happened late in the evening on July 22. The government announced that a committee of secretaries comprising senior bureaucrats had backed throwing open India's retail sector fully to foreign investors.

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1171	Weekly Hot Bites, #31	08/05/2011
IN1172	FSSAI Publishes the Final Food Safety and Standards Rules, 2011	08/10/2011
IN1173	FSSAI Alerts States and Ports on Food Safety: Issues Advisories	08/10/2011
IN1174	India Enforces the New Food Safety Law	08/10/2011

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